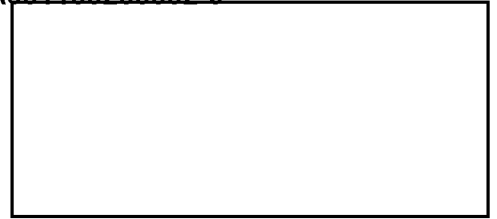




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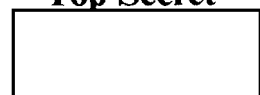
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National Intelligence Daily (Cable)

28 February 1979

State Dept. review completed

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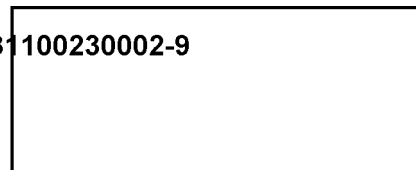
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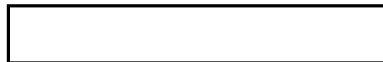
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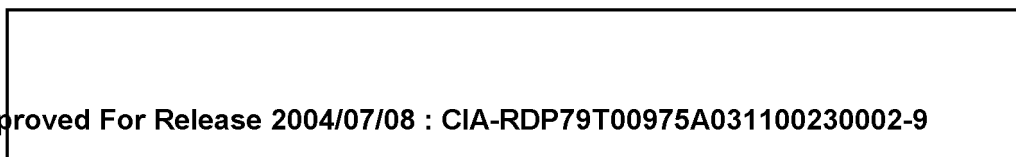
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SITUATION REPORT

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CHINA-VIETNAM-USSR

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The military and diplomatic situations have been largely static in the past 24 hours, but there are signs that the Chinese are preparing to renew their drive south in the near future. At this point the Chinese do not seem to be pausing as a result of military counterpressure or major logistic problems; the pause seems to be a calculated one, in part to reposition forces but also to test Vietnamese and Soviet reaction to Chinese moves thus far. Chinese reiteration of their desire to negotiate, stressed in Monday's People's Daily, seems part of this process.

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The Vietnamese are clearly concerned about the Chinese successes. The Vietnamese party newspaper reported today that the "invincible" 308th Division--Vietnam's best--is ready to enter the fighting and is waiting for orders. We do not know if this unit will actually join the fighting, but if it were committed to the impending battle it would be badly outnumbered.

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The Chinese news agency today reported that the Vietnamese continue to attack Chinese villages in the border regions. Most Vietnamese border units appear to be committed to defending territory within Vietnam, but some may be making small-scale incursions.

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Vietnamese media have begun to reflect a sense of full-scale war over the past few days, an indication of heightened concern over continued Chinese advances. A *Nhan Dan* editorial yesterday called upon the Vietnamese to display the same kind of determination and national effort as in the struggles with France and the US. *Nhan Dan's* praise for the military has been relatively restrained recently, and the editorial emphasized that the armed forces "must fight ever better." [REDACTED]

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Statements from Hanoi and Phnom Penh also reflect concern for the political position and military situation of the Heng Samrin regime in Kampuchea. Vietnam's news agency yesterday issued a denial that Vice Minister for Foreign Affairs Phan Hien had told a US Congressional delegation that Vietnam might not oppose Prince Sihanouk's return to Kampuchea as head of state. A spokesman for Phnom Penh's Foreign Ministry also issued a statement demanding that Bangkok "stop and prevent" Chinese efforts to resupply Pol Pot's forces through Thailand. The Kampuchean statement threatened unspecified "regrettable consequences" for the Thai. [REDACTED]

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Andrey Kirilenko, one of only four Soviet leaders who is both a full member of the Politburo and a secretary of the Communist Party Central Committee, yesterday commented on US-Soviet relations and the Chinese invasion. He said that while "aggressive-minded quarters" of NATO were seeking to take advantage of China's actions for their own "anti-Soviet" ends, "realistically minded political leaders of the West and Japan" recognize the inherent dangers in "connivance" with Beijing. The restrained tone of Kirilenko's speech as reported by TASS is similar to that in Soviet Foreign Minister Gromyko's address the day before. [REDACTED]

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A more anomalous note was sounded in a TASS Russian-language international broadcast on Monday. Political observer Oleg Anichkin said that "China's action may have a negative effect on the international atmosphere, particularly when exceptionally important negotiations on disarmament are being conducted in Geneva and Vienna, in addition to the Strategic Arms Limitation Talks." Anichkin's comments are by no means authoritative, and

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Soviet leadership statements have sought to insulate
SALT from Moscow's concern over the Sino-Vietnamese con-
frontation. [REDACTED]

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BRIEFS AND COMMENTS

AFGHANISTAN: Internal Security Problems

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//The Soviet-supported regime in Afghanistan is faced with growing domestic threats

A crisis could develop quickly. Well-coordinated attacks by opposition groups coupled with an expected poor wheat harvest could further jeopardize the regime.//

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//The ruling party's base has always been narrow, and recently the regime has antagonized important segments of society by suppressing its opponents, arresting religious leaders, and imposing overzealous land reform measures. Government forces have been unable to quell insurgencies in Nangarhar Province, and tribal rebellion is spreading throughout the country. Insurgents are now operating in Samangan, Oruzgan, Badakhshan, Ghazni, and Parvan Provinces. In addition, the southern city of Qandahar--where there was unrest last October--remain tense and there is a noticeable decrease in law and order in Kabul.//

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//So far the military has remained loyal, but the widespread and continued fighting has caused serious manpower, logistic, and morale problems. At present, the equivalent of three divisions--out of a total of 10 divisions--are tied down in Nangarhar Province alone. There are signs that even officers who are party members are becoming disenchanted with the government's inability to consolidate its position. Conscript troops are increasingly unwilling to fire on fellow tribesmen who are rebelling.//

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//Strains are also beginning to develop in the ruling party's top leadership.

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NAMIBIA-UN: Secretary General's Report

UN Secretary General Waldheim, in his report on Namibia this week to the Security Council, put off to 15 March the target date for sending a UN peacekeeping force to Namibia and called on South Africa and the South-West Africa People's Organization to pledge by Monday that each will observe a cease-fire supervised by the peacekeeping force. The Secretary General apparently is gambling that the early target date will break an impasse over contradictory interpretations of the UN provisions for a truce. [REDACTED]

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SWAPO leaders, lacking substantial bases in Namibia, want to bring thousands of guerrillas into Namibia from Angola and Zambia and set up bases that the UN would monitor. The South Africans reject this plan and insist that, after a cease-fire, the guerrillas withdraw to their bases in Angola or Zambia, where the UN would assume monitoring responsibility. Angola and Zambia, however, have refused to accept UN troops on their territory for monitoring duty. [REDACTED]

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Waldheim's report states that each SWAPO unit will be restricted to a base in the country where the unit is at the time of the cease-fire--either Namibia or a neighboring country. Waldheim has asked Angola, Zambia, and Botswana to accept UN liaison offices. [REDACTED]

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If these states accept UN liaison offices, which appears likely, it would be a good start toward working out monitoring arrangements. Waldheim's call for an early cease-fire, however, may spur SWAPO to step up infiltration efforts, which in turn would stiffen South African demands for more reliable monitoring in the neighboring countries. [REDACTED]

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According to the South African press, Prime Minister Botha and his Foreign Minister will meet with the Namibian constituent assembly tomorrow to consider Waldheim's report. Botha probably intends to have the assembly back a demand for some modifications to Waldheim's plan. [REDACTED]

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POLAND: Growing Exports Problems

Severe winter weather has forced Poland to interrupt export deliveries and to invoke force majeure clauses in contracts for coal and sulfur sales to the West. At the same time, domestic coal consumption has increased. Coal exports this year could be reduced by as much as 5 percent, according to the Foreign Trade Minister.

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These problems come at a time when other factors have forced the Poles to cut exports. Warsaw reduced imports from the West in 1977 and 1978 because of payments difficulties. This resulted in shortages of steel and industrial materials that are now further hindering production for export--particularly of machinery. Because of the tense domestic situation, the government is trying to ease meat shortages, which probably will lead to a drop in meat exports. These had picked up last year after falling in 1976 and 1977.

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The new developments make it even more unlikely that Poland can meet its 1979 target of a 9-percent rise in exports to the West. The regime's plan to keep imports at the 1978 level was based on meeting the export target. Therefore, imports are likely to be cut back, which will create further economic bottlenecks and compound difficulties in boosting exports.

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USSR-NORWAY: Defense Ministry Talks

Norwegian Deputy Secretary of Defense Holst has told the US Embassy in Oslo that Soviet officials used his recent visit to Moscow to complain again--in a restrained manner--about Norway's role in NATO and to stress the virtue of neutralism for Norway. Holst strongly defended his country's security policy. Soviet-Norwegian relations have been settling down following over a year of strain, and both parties used the visit to improve the atmosphere.

Defense Minister Ustinov--unexpectedly added to the list of Soviet officials to meet with the Norwegian official--told Holst that the Norwegians "could learn something from the Finns, who know how to deal with the Russians," and encouraged Norway to take a positive attitude toward Finnish President Kekkonen's proposal for a Nordic Nuclear Weapons Free Zone. The Soviets also reiterated their longstanding list of specific complaints against Norway's security measures, added a few new ones, and resurrected dormant objections to Norway's close association with the US--all in what Holst describes as a cordial manner.

As the first political representative of the Norwegian Ministry of Defense to visit the USSR since 1967, Holst said he defended Norway's heightened NATO activity as a needed adjustment to the Soviet buildup on the Kola peninsula. He reassured the Soviets that Norway's self-imposed prohibitions on foreign bases and nuclear weapons have not been changed by new arrangements for prestockage of NATO equipment and brushed aside Soviet comparisons of the stable Soviet defense budget with NATO defense budget increases.

Although Norway wants to be seen as a good NATO member, it also is aware of the need to have fairly smooth relations with the USSR. Norway's efforts to develop fishing and other economic interests in the northern continental waters will continue to require extensive negotiation with the Soviets.

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ZAIRE: Student Protests

Zairian troops have taken up positions around the national university's Lubumbashi campus to forestall any violence that might result from a student strike. The strikers are protesting poor living conditions at the school. Discontent surfaced after students learned of the shortlived demonstrations last week at the main campus in Kinshasa, which caused President Mobutu to visit the university to assuage student demands. In past years, Zairian students have occasionally been troublesome for Mobutu, but their attempts to press the regime have not caused serious problems. Given the inflation, food shortages, and other problems in Zaire, however, serious student disturbances could lead to demonstrations by other disaffected groups. [REDACTED]

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CHAD: Peace Negotiations

The leaders of Chad's warring factions--President Malloum, Prime Minister Habre, and Muslim rebel leader Goukouni--have reportedly agreed to meet next week in Nigeria to try to reach a settlement. A number of neighboring states, including Cameroon, Sudan, Libya, and Niger, will also be represented. Libya, whose military assistance has been critical to Chadian Muslim insurgents, reportedly agreed to participate only if Nigeria replaced Sudan--Libya's longtime adversary--as the principal mediator. Rebel leader Goukouni will be seeing Malloum for the first time since their attempt to arrange a peace last summer. That effort foundered after Malloum refused to order the withdrawal of some 2,000 French soldiers, his primary political and military support. Nigeria will be hard pressed to keep the negotiations on track, given the distrust between Malloum and Habre, Habre's demands for greater Muslim political power, and Goukouni's desire for a leading role in the government.

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TURKEY: Budget Approval

The government of Prime Minister Ecevit yesterday secured parliamentary approval of its 1979 budget proposals in what was tantamount to a vote of confidence. The government obtained three votes more than an absolute majority. This vote, together with the parliamentary extension of martial law on Sunday, increases somewhat the chances that the government will survive at least until the senatorial election in October. Turkey's economic and internal security situations are likely to continue to deteriorate, however, and decisions on these issues could still derail the fragile government before then.

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SPECIAL ANALYSIS

SPAIN: Parliamentary Election

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Neither Prime Minister Suarez' Union of the Democratic Center nor Felipe Gonzalez' Socialist Workers Party is likely to win a majority in tomorrow's legislative election. The serious problems facing Spain in the immediate postelection period make it likely that Suarez and Gonzalez will arrange some type of cooperative effort--ranging from an informal pact to a full-scale coalition government.

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On the eve of the election to fill 208 seats in the senate and 350 seats in the more important lower house, the polls indicate that a third of the electorate is undecided. Running neck and neck, the two major parties have pitched their campaigns at the swing voters, who appear to be concentrated just to the left of center. As a result, it is hard to distinguish between platforms, and political leaders have resorted to personal invective to stir up emotions.

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The greatest threat to Suarez may come from political apathy--in part a legacy of his successful politics of consensus. In the election of June 1977, when Suarez' party garnered 165 seats in the lower house and 34 percent of the vote, one-fifth of the eligible voters did not vote. This time, abstention will probably rise to between 30 and 40 percent; the higher the abstention rate, the more Suarez' Democratic Center will be hurt. High abstention would also probably weaken the Socialists, especially in the Basque region; those most likely to benefit are the Communists, who almost doubled their share of the vote in two byelections last year where abstention soared to nearly 50 percent.

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Other factors may work against the ruling party:

- Most of the 3 million new voters enfranchised by the new constitution, which lowered the voting age to 18, are leftists, although many have not registered and others will certainly abstain. --continued

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- The Socialists increased their strength by mergers with two splinter parties.
- Unemployment, the nation's number-one concern according to opinion polls, continues to rise, and the governing party's record in combating terrorism (the number-two concern) has been spotty.

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Suarez and his government, however, have significant strengths:

- By delaying municipal elections until 3 April, Suarez retained control of local governments and local patronage.
- The government can point to an impressive record: the new constitution, lower inflation, fiscal reforms, and increased regional devolution.
- Suarez has consistently been rated the nation's most popular politician.
- Heightened concern over terrorism and unrest in the military seems likely to drive some voters away from the left.
- Recent strikes have hurt the average voter, who may take it out on the left.

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The Prognosis

Given the closeness of the race, predictions are risky. A few generalizations, however, seem safe:

- No single party will win a clear majority of seats.
- The Socialists will close in on the Democratic Center and may even obtain more popular votes; but they still are likely to gain fewer seats, if only because the electoral law favors conservative rural areas.

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-- Governing the country effectively during the next year or two will be extremely difficult, if not impossible, without some kind of agreement between the two major parties. [REDACTED]

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The pressure for such an agreement will be increased by the magnitude of the problems confronting the country. The government must deal with vociferous demands for more regional autonomy--Basque terrorism is only one of the problems. The new parliament must enact enabling legislation for some of the constitution's most controversial articles, as well as act on the 1979 budget, the government's proposed energy plan, and trade relations and fiscal and labor reform bills. [REDACTED]

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Outside of parliament, government and management must reach a modus vivendi with the left and the trade unions on wage settlements for 1979. Labor unrest has grown with the failure to renew the "social pact" that carried Spain through 1978 with relatively little labor strife. Terrorism must be fought even as restless security and armed forces are placated. [REDACTED]

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Coalition Talk

The coalition-forming process will be difficult. Suarez has made it clear that he will form a coalition only as a last resort. [REDACTED]

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If the rightist Democratic Coalition wins enough seats to give Suarez a majority, he will come under pressure from the military, the financial establishment, and his party's right wing to form a coalition with the rightists. Arguments against such a coalition, however, are compelling: it would tend to radicalize the rank and file in both the leftist parties and the trade unions and thus polarize the political spectrum; agreement within the coalition on economic problems and regional autonomy would be almost impossible; and Suarez and Democratic Coalition leader Fraga hate each other. [REDACTED]

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Should the Democratic Coalition fail to win enough seats to give Suarez a majority, Suarez would have less

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trouble persuading his party to try a "grand coalition" with the Socialists. The clearest drawback to such a coalition is that it would leave the leftist opposition field--and especially organized labor--entirely to the Communists, who would probably recruit portions of the Socialist Party's already restive left wing. An alliance would also probably increase internal strains within both parties. [REDACTED]

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The Socialists have publicly deprecated a grand coalition, but they have been careful to leave the door open; privately many Socialist leaders appears to consider it inevitable. Moderate Socialists favor joining a coalition. They argue that their party could not form a single-party government even if it won a majority because Spain simply is not yet ready to be governed by the left. They also know that the next government will be making fundamental decisions that will affect the course of Spanish democracy for many years. [REDACTED]

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Socialists feel confident that they can neutralize the Communist threat by offering them a side agreement that would bind them to the parliamentary majority. The Communists, who favor a grand coalition, have made it clear that they would accept such an agreement in return for some low-level political office and the prestige of participating in the majority. [REDACTED]

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Political Outlook

Should Suarez win more than 160 of the 350 lower house seats up for election, he may try to govern alone, using floating majorities or perhaps by striking a pact with the rightists for parliamentary support. If he can survive until a solution to the regional autonomy problem is worked out, he might then be able to secure a majority by allying with various moderate regional parties. [REDACTED]

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Should Suarez fall below 160 seats, he will probably have no option but to come to an agreement with the Socialists, especially if they win more popular votes than his party. The agreement would probably be limited to a specific time period--or perhaps keyed to last until specific bills were through parliament. The Communists would be likely to become extra-governmental parties to such an agreement. [REDACTED]

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Should the Socialists win a plurality or even a majority, they have ruled out a coalition with the Communists and would turn instead to Suarez' party. Suarez has said that he would not participate in a Socialist-led government but that he would free members of his party to do so.

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